

MANNING COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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Manning Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Mindi Boyle	President	2006
Kimberly Fara	Vice President	2005
Scott Hodne	Board Member	2007
Jean Stadtlander	Board Member	2005
Brian Irlbeck	Board Member	2006

Board of Education (After September 2005 Election)		
Brian Irlbeck	President	2006
Mindi Boyle	Board Member	2006
Scott Hodne	Board Member	2007
John Opperman	Board Member	2008
Kimberly Fara	Board Member	2008

School Officials		
Roger Schmiedeskamp	Superintendent	2006
Dottie Schiltz	District Secretary and Treasurer	2006
Ahlers & Cooney, P.C.	Attorney	2006

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Manning Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Manning Community School District, Manning, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Manning Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 1, 2006 on our consideration of the Manning Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Manning Community School District's basic financial statements. Another firm previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the year ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

September 1, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Manning Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,756,079 in fiscal 2005 to \$3,927,979 in fiscal 2006, while General Fund expenditures increased from \$3,765,543 in fiscal 2005 to \$3,824,363 in fiscal 2006. This resulted in an increase in the District's General Fund balance from \$540,204 in fiscal 2005 to \$643,843 in fiscal 2006, a 19.2% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state and federal sources in fiscal 2006. The increase in expenditures was due primarily to an increase in the support services function.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Manning Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Manning Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Manning Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Manning Community School District Annual Financial Report

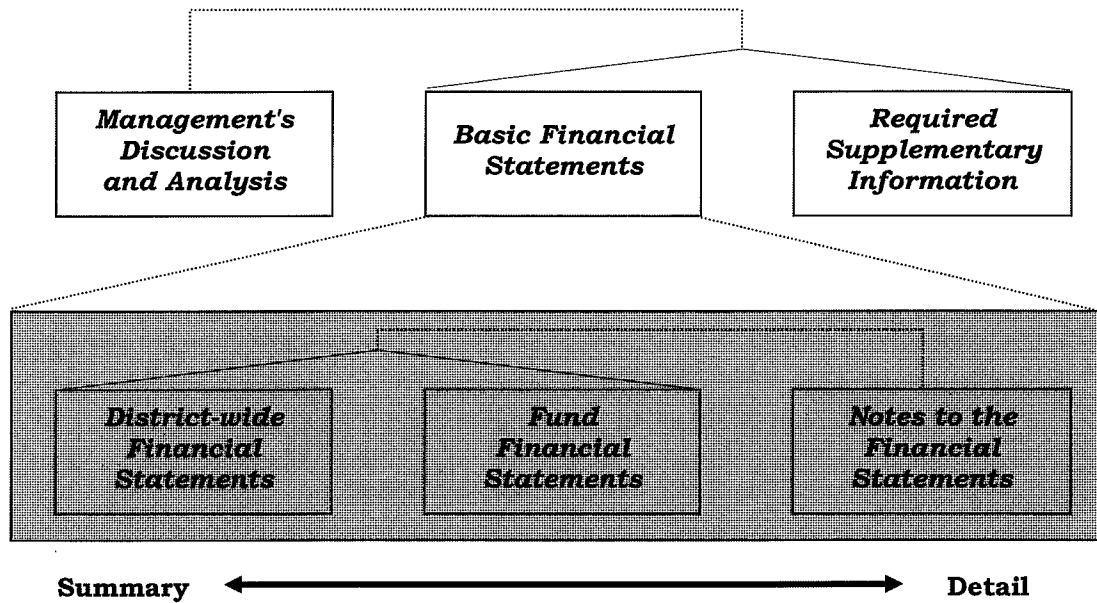


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health, additional non-financial factors, such as changes in the

District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 4,370,974	3,430,030	26,528	57,136	4,397,502	3,487,166	26.11%
Capital assets	1,744,889	1,679,109	41,334	17,628	1,786,223	1,696,737	5.27%
Total assets	6,115,863	5,109,139	67,862	74,764	6,183,725	5,183,903	19.29%
Long-term obligations	187,293	220,852	0	0	187,293	220,852	-15.20%
Other liabilities	3,172,214	2,438,790	4,676	7,775	3,176,890	2,446,565	29.85%
Total liabilities	3,359,507	2,659,642	4,676	7,775	3,364,183	2,667,417	26.12%
Net assets:							
Invested in capital assets, net of related debt	1,626,513	1,564,891	41,334	17,628	1,667,847	1,582,519	5.39%
Restricted	459,095	384,645	0	0	459,095	384,645	19.36%
Unrestricted	670,748	499,961	21,852	49,361	692,600	549,322	26.08%
Total net assets	\$ 2,756,356	2,449,497	63,186	66,989	2,819,542	2,516,486	12.04%

The District's combined net assets increased by 12.04%, or \$303,056, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$74,450, or 19.36% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$143,278, or 26.08%.

Figure A-4 shows the changes in net assets for the years ended June 30, 2006 and 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 536,082	520,763	128,936	127,655	665,018	648,418	2.56%
Operating grants and contributions and restricted interest	484,729	465,126	78,296	77,237	563,025	542,363	3.81%
General revenues:							
Property tax	1,271,887	1,182,443	0	0	1,271,887	1,182,443	7.56%
Local option sales and service tax	125,308	56,869	0	0	125,308	56,869	120.35%
Unrestricted state grants	1,910,600	1,848,586	0	0	1,910,600	1,848,586	3.35%
Other	120,546	28,367	255	552	120,801	28,919	317.72%
Total revenues	4,449,152	4,102,154	207,487	205,444	4,656,639	4,307,598	8.10%
Program expenses:							
Governmental activities:							
Instructional	2,596,326	2,634,671	0	0	2,596,326	2,634,671	-1.46%
Support services	1,307,896	1,202,267	0	0	1,307,896	1,202,267	8.79%
Non-instructional programs	0	0	211,290	207,202	211,290	207,202	1.97%
Other expenses	238,071	260,114	0	0	238,071	260,114	-8.47%
Total expenses	4,142,293	4,097,052	211,290	207,202	4,353,583	4,304,254	1.15%
Net income(loss) before restatement	306,859	5,102	(3,803)	(1,758)	303,056	3,344	8962.68%
Capital assets restatement	0	(1,369,972)	0	0	0	(1,369,972)	-100.00%
Change in net assets	306,859	(1,364,870)	(3,803)	(1,758)	303,056	(1,366,628)	-122.18%
Net assets beginning of year	2,449,497	3,814,367	66,989	68,747	2,516,486	3,883,114	-35.19%
Net assets end of year	\$ 2,756,356	2,449,497	63,186	66,989	2,819,542	2,516,486	12.04%

In fiscal 2006, property tax and unrestricted state grants account for 71.5% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly 100% of the revenue from business type activities.

The District's total revenues were approximately \$4.66 million of which \$4.45 million was for governmental activities and \$.21 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 8.1% in revenues and a 1.15% increase in expenses. The increase in expenses was related to the increase in support services costs during the year.

Governmental Activities

Revenues for governmental activities were \$4,449,152 and expenses were \$4,142,293. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,596,326	1,710,148
Support services	1,307,896	1,307,896
Other expenses	238,071	103,438
Totals	<u>\$ 4,142,293</u>	<u>3,121,482</u>

- The cost financed by users of the District's programs was \$536,082.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$484,729.
- The net cost of governmental activities was financed with \$1,271,887 in property tax, \$125,308 in local option sales and services tax, \$1,910,600 in unrestricted state grants and \$89,663 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$207,487 and expenses were \$211,290. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Manning Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,122,956, above last year's ending fund balances of a \$995,613. However, the primary reason for the increase in combined fund balances in fiscal 2006 is due to the local option sales and services tax monies.

Governmental Fund Highlights

- The District's improving General Fund financial position from is the product of many factors:
 - Increase in state grants during the year resulted in an increase in revenues.
 - The increase in expenditures was primarily due to the increase in the support services function.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$66,989 at June 30, 2005 to \$63,186 at June 30, 2006, representing a decrease of 5.7%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$63,531 more than budgeted revenues, a variance of 1.41%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$1,786,223, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 5.01% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$159,933.

The original cost of the District's capital assets was \$5,097,135. Governmental funds account for \$5,006,777 with the remainder of \$90,358 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$180,743 at June 30, 2006, compared to \$92,904 reported at June 30, 2005.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 23,100	23,100	0	0	23,100	23,100	0.00%
Construction in progress	41,675	0	0	0	41,675	0	100.00%
Buildings	1,502,931	1,580,733	0	0	1,502,931	1,580,733	-5.18%
Improvements other than buildings	37,774	0	0	0	37,774	0	100.00%
Machinery and equipment	139,409	75,276	41,334	17,628	180,743	92,904	48.60%
Total	\$ 1,744,889	1,679,109	41,334	17,628	1,786,223	1,696,737	5.01%

Long-Term Debt

At June 30, 2006, the District had \$187,293 in long-term debt outstanding. This represents a decrease of 15.2% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had outstanding HVAC loan payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$160,813 at June 30, 2006.

During fiscal year 2006, the District issued revenue bonds for a playground project in the amount of \$26,480. These bonds are payable from the Capital Projects Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2006	2005	2005-06
HVAC loan	\$ 160,813	220,852	-27.2%
Revenue bonds	26,480	0	100.0%
Totals	\$ 187,293	220,852	-15.2%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The 4% across the board state increase in allowable growth for next year will not be enough to increase new monies, in fact the District will have a decrease due to declining enrollment. This will not be enough to offset a negotiating request of 8-10% increase in salaries.
- The SILO increase allows for increased expenditures that include; a \$50,000 playground project started in 2006 and expected to be completed in 2007, a \$1,750,000 gymnasium project proposed for 2007, which will have long-term debt thru 2012. Other proposed projects include; on going carpet replacement, new bus purchase every other year, new automobile purchase in the next couple years, a paving project, an expansion to the bus barn and air conditioning for the cafeteria and kitchen area.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dottie Schiltz, Board Secretary, Manning Community School District, 209 Tenth Street, Manning, Iowa, 51455.

BASIC FINANCIAL STATEMENTS

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP(Note 5)	\$ 1,539,457	0	1,539,457
Other	1,533,183	23,890	1,557,073
Receivables			
Property tax:			
Delinquent	14,935	0	14,935
Succeeding year	1,163,453	0	1,163,453
Income surtax	82,772	0	82,772
Accounts	4,920	52	4,972
Accrued ISCAP interest (Note 5)	11,131	0	11,131
Due from other governments	21,123	0	21,123
Inventories	0	2,586	2,586
Capital assets, net of accumulated depreciation (Note 6)	1,744,889	41,334	1,786,223
Total Assets	6,115,863	67,862	6,183,725
Liabilities			
Accounts payable	22,922	93	23,015
Salaries and benefits payable	419,252	996	420,248
ISCAP warrants payable (Note 5)	1,539,000	0	1,539,000
ISCAP accrued interest payable (Note 5)	9,634	0	9,634
ISCAP unamortized premium	10,985	0	10,985
Accrued interest payable	6,968	0	6,968
Deferred revenue:			
Succeeding year property tax	1,163,453	0	1,163,453
Unearned revenue	0	3,587	3,587
Long-term liabilities (Note 7):			
Portion due within one year:			
HVAC loan	62,440	0	62,440
Revenue bond	5,296	0	5,296
Portion due after one year:			
HVAC loan	98,373	0	98,373
Revenue bond	21,184	0	21,184
Total Liabilities	3,359,507	4,676	3,364,183
Net Assets			
Investment in capital assets, net of related debt	1,626,513	41,334	1,667,847
Restricted for:			
Salary improvement program	3,329	0	3,329
Talented and Gifted	6,349	0	6,349
Early Intervention	46,189	0	46,189
Capital projects	119,247	0	119,247
Management levy	66,225	0	66,225
Other special revenue purposes	217,756	0	217,756
Unrestricted	670,748	21,852	692,600
Total Net Assets	\$ 2,756,356	63,186	2,819,542

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,332,849	271,516	325,691	(1,735,642)	0	(1,735,642)
Special instruction	125,094	107,657	24,405	6,968	0	6,968
Other instruction	138,383	156,909	0	18,526	0	18,526
	<u>2,596,326</u>	<u>536,082</u>	<u>350,096</u>	<u>(1,710,148)</u>	<u>0</u>	<u>(1,710,148)</u>
Support services:						
Student services	102,234	0	0	(102,234)	0	(102,234)
Instructional staff services	160,036	0	0	(160,036)	0	(160,036)
Administration services	478,524	0	0	(478,524)	0	(478,524)
Operation and maintenance of plant services	402,579	0	0	(402,579)	0	(402,579)
Transportation services	164,523	0	0	(164,523)	0	(164,523)
	<u>1,307,896</u>	<u>0</u>	<u>0</u>	<u>(1,307,896)</u>	<u>0</u>	<u>(1,307,896)</u>
Other expenditures:						
Facilities acquisitions	12,896	0	0	(12,896)	0	(12,896)
Long-term debt interest	10,752	0	0	(10,752)	0	(10,752)
AEA flowthrough	134,633	0	134,633	0	0	0
Depreciation(unallocated)*	79,790	0	0	(79,790)	0	(79,790)
	<u>238,071</u>	<u>0</u>	<u>134,633</u>	<u>(103,438)</u>	<u>0</u>	<u>(103,438)</u>
Total governmental activities	4,142,293	536,082	484,729	(3,121,482)	0	(3,121,482)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	211,290	128,936	78,296	0	(4,058)	(4,058)
Total business-type activities	<u>211,290</u>	<u>128,936</u>	<u>78,296</u>	<u>0</u>	<u>(4,058)</u>	<u>(4,058)</u>
Total	<u>\$ 4,353,583</u>	<u>665,018</u>	<u>563,025</u>	<u>(3,121,482)</u>	<u>(4,058)</u>	<u>(3,125,540)</u>
General Revenues:						
Property tax levied for:						
General purposes			\$ 1,113,109	0	1,113,109	
Capital outlay			158,778	0	158,778	
Local option sales and services			125,308	0	125,308	
Unrestricted state grants			1,910,600	0	1,910,600	
Unrestricted investment earnings			89,663	255	89,918	
Other			30,883	0	30,883	
Total general revenues			<u>3,428,341</u>	<u>255</u>	<u>3,428,596</u>	
Changes in net assets			306,859	(3,803)	303,056	
Net assets beginning of year			<u>2,449,497</u>	<u>66,989</u>	<u>2,516,486</u>	
Net assets end of year			<u>\$ 2,756,356</u>	<u>63,186</u>	<u>2,819,542</u>	

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Other Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 1,539,457	0	1,539,457
Other	1,003,403	529,780	1,533,183
Receivables:			
Property tax:			
Delinquent	13,306	1,629	14,935
Succeeding year	1,077,654	85,799	1,163,453
Income surtax	41,386	41,386	82,772
Interfund	46,733	0	46,733
Accounts	4,920	0	4,920
Accrued ISCAP interest (Note 5)	11,131	0	11,131
Due from other governments	21,123	0	21,123
Total Assets	\$ 3,759,113	658,594	4,417,707
Liabilities and Fund Balances			
Liabilities:			
Interfund payable	\$ 0	46,733	46,733
Accounts payable	17,359	5,563	22,922
Salaries and benefits payable	419,252	0	419,252
ISCAP warrants payable (Note 5)	1,539,000	0	1,539,000
ISCAP accrued interest payable (Note 5)	9,634	0	9,634
ISCAP unamortized premium	10,985	0	10,985
Deferred revenue:			
Succeeding year property tax	1,077,654	85,799	1,163,453
Income surtax	41,386	41,386	82,772
Total liabilities	3,115,270	179,481	3,294,751
Fund balances:			
Reserved for:			
Salary improvement program	3,329	0	3,329
Talented and gifted	6,349	0	6,349
Early intervention	46,189	0	46,189
Unreserved	587,976	479,113	1,067,089
Total fund balances	643,843	479,113	1,122,956
Total Liabilities and Fund Balances	\$ 3,759,113	658,594	4,417,707

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances of governmental funds (page 15) \$ 1,122,956

***Amounts reported for governmental activities in the
 statement of net assets are different because:***

Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported as
 assets in in the governmental funds. 1,744,889

Accounts receivable income surtax, are not yet available
 to finance expenditures of the current period. 82,772

Accrued interest payable on long-term liabilities is not
 due and payable in the current period and, therefore, is
 not reported as a liability in the governmental funds. (6,968)

Long-term liabilities, including the HVAC loan and revenue
 bond, are not due and payable in the current period and,
 therefore, are not reported in the funds. (187,293)

Net assets of governmental activities (page 13) \$ 2,756,356

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,020,665	293,758	1,314,423
Tuition	379,173	0	379,173
Other	132,909	144,523	277,432
State sources	2,233,097	97	2,233,194
Federal sources	162,135	0	162,135
Total revenues	3,927,979	438,378	4,366,357
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	2,335,082	1,500	2,336,582
Special instruction	125,094	0	125,094
Other instruction	19,329	114,541	133,870
	2,479,505	116,041	2,595,546
Support services:			
Student services	102,234	0	102,234
Instructional staff services	145,143	16,656	161,799
Administration services	477,684	0	477,684
Operation and maintenance of plant services	347,348	90,104	437,452
Transportation services	137,816	55,824	193,640
	1,210,225	162,584	1,372,809
Other expenditures:			
Facilities acquisitions	0	94,333	94,333
Long-term debt:			
Principal	0	60,039	60,039
Interest	0	8,157	8,157
AEA flowthrough	134,633	0	134,633
	134,633	162,529	297,162
Total expenditures	3,824,363	441,154	4,265,517
Excess(deficiency) of revenues over(under) expenditures	103,616	(2,776)	100,840
Other financing sources(uses):			
Transfers in	0	68,196	68,196
Transfers out	0	(68,196)	(68,196)
Issuance of bonds	0	26,480	26,480
Sale of equipment	23	0	23
Total other financing sources(uses)	23	26,480	26,503
Net change in fund balance	103,639	23,704	127,343
Fund balance beginning of year	540,204	455,409	995,613
Fund balance end of year	\$ 643,843	479,113	1,122,956

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17) \$ 127,343

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 214,311	
Depreciation expense	(148,531)	65,780

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

82,772

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	\$ (26,480)	
Repaid	60,039	33,559

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(2,595)

Changes in net assets of governmental activities (page 14)

\$ 306,859

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 23,890
Accounts receivable	52
Inventories	2,586
Capital assets, net of accumulated depreciation (Note 6)	41,334
Total Assets	<u>67,862</u>
Liabilities	
Accounts payable	93
Salaries and benefits payable	996
Unearned revenue	3,587
Total Liabilities	<u>4,676</u>
Net Assets	
Investment in capital assets	41,334
Unrestricted	21,852
Total Net Assets	<u>\$ 63,186</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	<u>\$ 128,936</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	77,575
Benefits	21,205
Services	5,194
Supplies	95,914
Depreciation	11,402
Total operating expenses	<u>211,290</u>
Operating loss	<u>(82,354)</u>
Non-operating revenues:	
State sources	2,923
Federal sources	75,373
Interest income	255
Total non-operating revenues	<u>78,551</u>
Change in net assets	(3,803)
Net assets beginning of year	<u>66,989</u>
Net assets end of year	<u><u>\$ 63,186</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 128,075
Cash received from miscellaneous operating activities	809
Cash payments to employees for services	(98,573)
Cash payments to suppliers for goods or services	(90,864)
Net cash used in operating activities	<u>(60,553)</u>
Cash flows from non-capital financing activities:	
State grants received	2,923
Federal grants received	61,815
Net cash provided by non-capital financing activities	<u>64,738</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(35,108)</u>
Cash flows from investing activities:	
Interest on investments	<u>255</u>
Net decrease in cash and cash equivalents	(30,668)
Cash and cash equivalents at beginning of year	<u>54,558</u>
Cash and cash equivalents at end of year	<u>\$ 23,890</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (82,354)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,558
Depreciation	11,402
Increase in inventories	(8)
Increase in accounts receivable	(52)
Decrease in accounts payable	(3,306)
Increase in salaries and benefits payable	207
Net cash used in operating activities	<u>\$ (60,553)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 23,890</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$13,558.

SEE NOTES TO FINANCIAL STATEMENTS.

MANNING COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The Manning Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Manning, Iowa, and the predominate agricultural territory in Crawford, Shelby, Audubon, and Carroll Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Manning Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Manning Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Crawford, Shelby, Audubon, and Carroll Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared

by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are

recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are

reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006 expenditures did not exceed budgeted amounts.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 651,282</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investments Trust were both rated Aaa by Moody's Investors Service.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue, Physical Plant and Equipment Levy	<u>\$ 68,196</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Due From and Due to Other Funds**

The detail of interfund receivable and payable at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue, Physical Plant and Equipment Levy	<u>\$ 46,733</u>

(5) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06B	1/26/06	1/26/07	\$ 533,857	10,818	532,000	9,378
2006-07A	6/28/06	6/28/07	1,005,600	313	1,007,000	256
			<u>\$ 1,539,457</u>	<u>11,131</u>	<u>1,539,000</u>	<u>9,634</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make

minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity in the General Fund for the year ended June 30, 2006 was noted.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.000%	3.903%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 23,100	0	0	23,100
Construction in progress	0	41,675	0	41,675
Total capital assets not being depreciated	23,100	41,675	0	64,775
Capital assets being depreciated:				
Buildings	3,890,035	0	0	3,890,035
Land improvements	125,320	39,762	0	165,082
Machinery and equipment	775,452	132,874	21,441	886,885
Total capital assets being depreciated	4,790,807	172,636	21,441	4,942,002
Less accumulated depreciation for:				
Buildings	2,309,302	77,802	0	2,387,104
Land improvements	125,320	1,988	0	127,308
Machinery and equipment	700,176	68,741	21,441	747,476
Total accumulated depreciation	3,134,798	148,531	21,441	3,261,888
Total capital assets being depreciated, net	1,656,009	24,105	0	1,680,114
Governmental activities capital assets, net	\$ 1,679,109	65,780	0	1,744,889

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 55,250	35,108	0	90,358
Less accumulated depreciation	37,622	11,402	0	49,024
Business-type activities capital assets, net	<u>\$ 17,628</u>	<u>23,706</u>	<u>0</u>	<u>41,334</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 22,262
Other	4,513

Support services:

Instructional Staff	826
Administration	840
Operation and maintenance of plant	13,905
Transportation	26,395
	<u>68,741</u>
Unallocated depreciation	<u>79,790</u>

Total governmental activities depreciation expense \$ 148,531

Business-type activities:

Food services	\$ 11,402
Total business-type activities depreciation expense	<u>\$ 11,402</u>

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
HVAC loan	\$ 220,852	0	60,039	160,813	62,440
Revenue bonds	0	26,480	0	26,480	5,296
Total	<u>\$ 220,852</u>	<u>26,480</u>	<u>60,039</u>	<u>187,293</u>	<u>67,736</u>

Heating, Ventilation and Air Conditioning Project (HVAC)

During the year ended June 30, 2006, the District entered into a loan agreement for \$250,000 to pay for costs related to the HVAC project. Details of the District's June 30, 2006 HVAC indebtedness paid from the Special Revenue, Physical Plant and Equipment Levy Fund are as follows:

Year	HVAC Loan Dated July 6, 2004			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2007	3.96 % \$	62,440	5,756	68,196
2008	3.96	64,937	3,259	68,196
2009	3.96	33,436	662	34,098
Total		\$ 160,813	9,677	170,490

Revenue Bonds Payable

During the year ended June 30, 2006, issued \$26,480 in revenue bonds to fund a playground project. Detail of the District's June 30 revenue bond indebtedness paid from local option sales and service tax revenues are as follows:

Year	Issue Dated June 20, 2006			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2007	5.00 % \$	5,296	1,366	6,662
2008	5.00	5,296	1,060	6,356
2009	5.00	5,296	795	6,091
2010	5.00	5,296	530	5,826
2011	5.00	5,296	265	5,561
Total		\$ 26,480	4,016	30,496

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$150,893, \$141,981, \$135,579, respectively, equal to the required contributions for each year.

(9) Risk Management

Manning Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$134,633 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitment

The District has entered into various contracts for a bleacher project. As of June 30, 2006, costs of \$41,675 had been incurred against the contracts. The balance remaining at June 30, 2006 will be paid as work on the projects progresses.

REQUIRED SUPPLEMENTARY INFORMATION

MANNING COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,971,028	129,191	2,100,219	2,026,399	2,026,399	73,820
State sources	2,233,194	2,923	2,236,117	2,245,914	2,245,914	(9,797)
Federal sources	162,135	75,373	237,508	238,000	238,000	(492)
Total revenues	4,366,357	207,487	4,573,844	4,510,313	4,510,313	63,531
Expenditures:						
Instruction	2,595,546	0	2,595,546	2,857,592	2,857,592	262,046
Support services	1,372,809	0	1,372,809	1,375,000	1,375,000	2,191
Non-instructional programs	0	211,290	211,290	292,070	292,070	80,780
Other expenditures	297,162	0	297,162	312,872	460,000	162,838
Total expenditures	4,265,517	211,290	4,476,807	4,837,534	4,984,662	507,855
Excess(deficiency) of revenues over(under) expenditures	100,840	(3,803)	97,037	(327,221)	(474,349)	571,386
Other financing sources, net	26,503	0	26,503	0	0	26,503
Excess(deficiency) of revenues over(under) expenditures	127,343	(3,803)	123,540	(327,221)	(474,349)	597,889
Balance beginning of year	995,613	66,989	1,062,602	1,421,873	1,421,873	(359,271)
Balance end of year	\$ 1,122,956	63,186	1,186,142	1,094,652	947,524	238,618

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MANNING COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2006, the District adopted one budget amendment increasing budgeted expenditures by \$147,128.

OTHER SUPPLEMENTARY INFORMATION

MANNING COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Capital Projects	
Assets							
Cash and pooled investments	\$ 66,176	126,994	95,662	93,431	382,263	147,517	529,780
Receivables:							
Property tax:							
Current year delinquent		697	0	932	0	1,629	0
Succeeding year	55,000	0	30,799	0	85,799	0	85,799
Income surtax	0	0	41,386	0	41,386	0	41,386
Total Assets	\$ 121,873	126,994	168,779	93,431	511,077	147,517	658,594
Liabilities and Fund Balances							
Liabilities:							
Interfund payable	\$ 0	0	46,733	0	46,733	0	46,733
Accounts payable	648	2,669	456	0	3,773	1,790	5,563
Deferred revenue:							
Succeeding year property tax	55,000	0	30,799	0	85,799	0	85,799
Income surtax	0	0	41,386	0	41,386	0	41,386
Total Liabilities	55,648	2,669	119,374	0	177,691	1,790	179,481
Fund balances:							
Unreserved	66,225	124,325	49,405	93,431	333,386	145,727	479,113
Total fund balances	66,225	124,325	49,405	93,431	333,386	145,727	479,113
Total Liabilities and Fund Balances	\$ 121,873	126,994	168,779	93,431	511,077	147,517	658,594

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MANNING COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2006

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	Capital Projects	
REVENUES:								
Local sources:								
Local tax	\$ 51,058	0	117,392	0	168,450	0	125,308	293,758
Other	5,167	128,905	3,620	4,466	142,158	0	2,365	144,523
State sources	41	0	56	0	97	0	0	97
TOTAL REVENUES	56,266	128,905	121,068	4,466	310,705	0	127,673	438,378
EXPENDITURES:								
Current:								
Instruction:								
Regular instruction	0	0	0	1,500	1,500	0	0	1,500
Other instruction	0	114,541	0	0	114,541	0	0	114,541
Support services:								
Instructional staff	15,862	0	0	0	15,862	0	794	16,656
Operation and maintenance of plant services	37,667	0	52,437	0	90,104	0	0	90,104
Student transportation	312	0	55,512	0	55,824	0	0	55,824
Other expenditures:								
Facilities acquisitions	0	0	6,525	0	6,525	0	87,808	94,333
Long-term debt:								
Principal	0	0	0	0	0	60,039	0	60,039
Interest	0	0	0	0	0	8,157	0	8,157
TOTAL EXPENDITURES	53,841	114,541	114,474	1,500	284,356	68,196	88,602	441,154
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,425	14,364	6,594	2,966	26,349	(68,196)	39,071	(2,776)
OTHER FINANCING SOURCES (USES):								
Transfers in	0	0	0	0	0	68,196	0	68,196
Transfers out	0	0	(68,196)	0	(68,196)	0	0	(68,196)
Issuance of bonds	0	0	0	0	0	0	26,480	26,480
TOTAL OTHER FINANCING SOURCES (USES)	0	0	(68,196)	0	(68,196)	68,196	26,480	26,480
NET CHANGE IN FUND BALANCE	2,425	14,364	(61,602)	2,966	(41,847)	0	65,551	23,704
FUND BALANCE BEGINNING OF YEAR	63,800	109,961	111,007	90,465	375,233	0	80,176	455,409
FUND BALANCE END OF YEAR	\$ 66,225	124,325	49,405	93,431	333,386	0	145,727	479,113

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MANNING COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Boys Athletics	\$ 4,000	24	0	4,024
Girls Athletics	12,000	3	0	12,003
Activity Tickets	45,000	0	0	45,000
FFA	4,000	0	0	4,000
Student Council	5,000	127	0	5,127
HS Drama	265	1,523	1,679	109
HS Vocal Music	3,644	2,533	1,424	4,753
HS Instrumental Music	139	2,430	1,970	599
Athletic Ticket	63	1,404	0	1,467
HS Boys Athletic	1,800	26,395	20,355	7,840
HS Basketball	1,297	0	0	1,297
HS Girls Athletics	3,314	12,875	12,912	3,277
HS Activity Tickets	1,594	8,269	5,854	4,009
HS Spanish Club	0	1,016	821	195
HS Book Club	2,477	2,468	2,235	2,710
HS Business Club	912	927	1,707	132
Class of 2006	5,071	(390)	1,889	2,792
Class of 2007	235	10,609	8,129	2,715
Class of 2008	105	201	80	226
Class of 2009	0	140	80	60
HS Concessions	233	0	0	233
Elementary 3rd Grade	46	0	0	46
Res For Activity	473	196	(1)	670
High School Resource	9	0	0	9
HS FFA	5,747	18,281	20,855	3,173
Checking Account Interest	799	1,086	0	1,885
HS National Honor Society	31	16	0	47
HS Pep Club	683	1,281	1,863	101
HS Pop Machine	2,081	6,986	5,738	3,329
HS Other Student Act	377	1,624	1,554	447
Sp Ed Class Project Concession Stand	0	8,845	6,981	1,864
HS Student Council	590	5,103	4,180	1,513
HS Yearbook	7,646	14,926	14,236	8,336
Elementary Fundraisers	330	7	0	337
Total	\$ 109,961	128,905	114,541	124,325

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MANNING COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2006	2005	2004	2003
Revenues:					
Local sources:					
Local tax	\$	1,314,423	1,239,312	1,196,615	1,118,007
Tuition		379,173	327,854	265,955	186,948
Other		277,432	197,549	220,970	306,531
State sources		2,233,194	2,164,459	1,966,976	2,062,610
Federal sources		162,135	172,980	148,527	168,719
Total	\$	4,366,357	4,102,154	3,799,043	3,842,815
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	2,336,582	1,750,442	1,657,357	1,577,517
Special instruction		125,094	554,573	493,241	492,272
Other instruction		133,870	332,697	330,712	297,390
Support services:					
Student services		102,234	107,214	109,806	104,849
Instructional staff services		161,799	167,843	153,631	119,402
Administration services		477,684	416,661	391,572	373,660
Operation and maintenance of plant services		437,452	343,047	324,583	377,389
Transportation services		193,640	141,667	134,645	179,909
Other support services		0	0	155	0
Other expenditures:					
Facilities acquisitions		94,333	247,886	234,688	6,785
Long-term debt:					
Principal		60,039	29,148	0	0
Interest		8,157	4,950	0	0
AEA flow-through		134,633	132,567	135,749	145,786
Total	\$	4,265,517	4,228,695	3,966,139	3,674,959

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Manning Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Manning Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 1, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manning Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manning Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Manning Community School District and other parties to whom Manning Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Manning Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

September 1, 2006

MANNING COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-06 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review procedures and will continue with previous actions taken to utilize other secretarial and administrative staff in the process of cash receipts and deposits. However, in some cases this may be impossible to change, but every attempt to improve procedures will be made.

Conclusion - Response accepted.

- I-B-06 Check Signatures - It was noted in the General Fund that a check cleared the bank that had only one signature.

Recommendation - The Board President and Board Secretary are required to sign all checks written by the District in compliance with Chapter 291.1 of the Code of Iowa. However, the Board President may designate an individual other than himself to sign checks in his absence.

Response - We will review our procedures to ensure that all checks written have two signatures.

Conclusion - Response accepted.

- I-C-06 Notice of Public Hearing for Public Improvement - The District did not conduct a public hearing on playground or bleacher project as required by Chapter 73A.2 of the Code of Iowa.

Recommendation - The District should be aware that projects that are required to be bid and which a public hearing is required, if contested by public, has to be removed at the vendors cost. Vendors should be aware of the need for public hearing if they are working with schools, and would be responsible at their expense for removing the improvement. Before entering into any contract for public improvements where the net cost is \$25,000 or more, the District is required to hold a public hearing.

Response - Efforts to obtain information from IASB and Ahlers Law Firm for recommendation as to how to approach/rectify this are in process. Current and future projects will be handled in accordance with legal hearing requirements.

Conclusion - Response accepted.

I-D-06 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - Tournament tickets were handled in this manner. Efforts are being taken to enforce this same method on a regular basis.

Conclusion - Response accepted.

I-E-06 Pre-numbered Receipts - We noted during our audit that the District does not use pre-numbered receipts when money is turned into the office.

Recommendation - Better internal controls are achieved if the District uses pre-numbered receipts, and reconciles the receipts to deposits and revenues posted when performing bank reconciliations. The District should review their procedures to ensure that internal control processes are being utilized.

Response - Individual cash receipts currently are received with returned receipt. Nutrition and activity account activities that receive check payments, use check as proof of payment. Efforts will be taken to enforce a more accountable revenue receipting process.

Conclusion - Response accepted.

I-F-06 Student Activity Fund - We noted during our audit that the Student Activity fund included an interest account.

Recommendation - The interest earned each year should be allocated out at on an annual basis to the individual activity accounts.

Response - IASBO/Ahlers contacts at conference workshop noted that Activity Fund interest did not need to be accounted for within all separate accounts within the Activity Fund as long as it was accounted for in some way, as has been our practice.

Conclusion - Response acknowledged, however; according to the Uniform Administrative Procedures for Iowa Officials, it states that each program within the Student Activity Fund shall be supervised by qualified professional staff. The interest account doesn't have members and a sponsor, therefore should be allocated out on an annual basis.

I-G-06 Credit Card Policy - We noted during our audit that the District had not implemented a credit card policy that states the procedures for credit card usage.

Recommendation - The District should review the policies in place and update the necessary credit card policies.

Response - Recommendation has been implemented. A credit card policy has been developed, approved and is currently in effect.

Conclusion - Response accepted.

I-H-06 Petty Cash - We noted during our audit, that the District maintains a petty cash box, however it is not kept on an impressed basis and reimbursements are not written out to the custodian of the box.

Recommendation - The District should review their procedures to ensure that the petty cash box is kept on an impressed basis and all reimbursements are written out to the custodian of the box.

Response - The petty cash box in the elementary will be eliminated.

Conclusion - Response accepted.

I-I-06 Meal Reimbursements - We noted during our audit a reimbursement to an employee for meal expenses, however, there was no receipt attached for supporting documentation.

Recommendation - The District should review their procedures to ensure that receipts for all reimbursable expenses are attached for supporting documentation,

Response - Current procedures ensure this documentation is attached. Incidents of this sort have been rare of ever, current procedures will continue to stay in effect.

Conclusion - Response accepted.

MANNING COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District expenditures for the year ended June 30, 2006 did not exceed budgeted amounts.
- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jean Stadlander, School Board Member Spouse of owner of Manning Insurance	Insurance	\$ 50,981
Mindi Boyle, School Board Member Spouse of president of American Interstate Bank of Manning	Purchased Services	\$ -

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-06 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 8 of the Certified Enrollment Certification Form for September 2005 was overstated. The District's certified enrollment count on line 8 was overstated by 3 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

- II-J-06 PPEL Expenditures - We noted during our audit, expenditures out of the Physical Plant and Equipment Levy(PPEL) Fund for copier maintenance that are more appropriate handled out of the General Fund. Chapter 423 and 298 of the Code of Iowa provides allowable expense for the PPEL Fund. The expenditure of copier maintenance does not appear to meet the criteria to be purchased from the PPEL Fund.

Recommendation - The District should review their procedures to ensure that they comply with Chapter 423 and 298 of the Code of Iowa.

Response - It was recommended by the Department of Education team in the recoding process that lease agreement for copiers could come under PPEL. Efforts are underway to obtain the split of lease costs and maintenance costs from the copier company. If the split is not provided by Bro Business, then the full amount of the lease each month will revert back to the General Fund.

Conclusion - Response accepted.